

13234

RECORDATION NO. Filed 1425

CRAVATH, SWAINE & MOORE

SEP 4 1981-11 10 AM

ONE CHASE MANHATTAN PLAZA

13234 NEW YORK, N. Y. 10005

INTERSTATE COMMERCE COMMISSION

COUNSEL
MOORE
CARL E. MAW

RALPH L. MCAFEE
HENRY W. DEKOBMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL

FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODD
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. OFFE
ROBERT M. MULLEN
ALLEN M. NELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL H. SHERB
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
RICHARD L. HOFFMAN
JOSEPH A. MULLINS
MAX R. SHULMAN
WILLIAM P. DICKEY
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERBOWER

RECORDATION NO. Filed 1425
SEP 4 1981-11 10 AM

INTERSTATE COMMERCE COMMISSION

13234/C

SEP 4 1981-11 10 AM
INTERSTATE COMMERCE COMMISSION

212 HANOVER 2-3000

TELEX

RCA 233663
WUD 125547
WUI 620976

CABLE ADDRESSES

CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E. C. 2

RECORDATION NO. Filed 1425

SEP 4 1981-11 10 AM
1-24-81

INTERSTATE COMMERCE COMMISSION

SEP 4 1981
Date.....
Fee \$100.00

ICC Washington, D. C.

ROSWELL L. GILPATRICK
ALBERT R. CONNELLY
L. R. BRESLIN, JR.
GEORGE B. TURNER
FRANK H. DETWEILER
GEORGE O. TYLER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON
WILLIAM B. MARSHALL
ROYALL VICTOR
ALLEN H. MERRILL

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THRODMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 1-608-1421
TELEX: 8814901

August 25, 1981

Canadian National Railway Company
Lease Financing Dated as of July 1, 1981
15.50% Conditional Sale Indebtedness Due January 1, 1997

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Canadian National Railway Company for filing counterparts of the following documents:

New Number - (1) (a) Conditional Sale Agreement dated as of July 1, 1981, between Marine Industrie Limitee and Exchange National Bank of Chicago, as Trustee; and

A - (b) Agreement and Assignment dated as of July 1, 1981, between Marine Industrie Limitee and La Salle National Bank, as Agent.

B - (2) (a) Lease of Railroad Equipment dated as of July 1, 1981, between Canadian National Railway and Exchange National Bank of Chicago, as Trustee; and

C - (b) Assignment of Lease and Agreement dated as of July 1, 1981, between Exchange National Bank of Chicago, as Trustee and La Salle National Bank, as Agent.

Countersigned *David E. Mergenovich*

RECEIVED
SEP 4 11 02 AM '81
OPERATION JR.

The names and addresses of the parties to the
aforementioned Agreements are as follows:

(1) Vendor-Assignee-Agent:

La Salle National Bank,
135 South La Salle Street,
Chicago, Illinois 60690.

(2) Trustee-Owner Trustee:

Exchange National Bank of Chicago,
130 South La Salle Street,
Chicago, Illinois 60690.

(3) Builder-Vendor:

Marine Industrie Limitee,
Sorel (Tracy),
Quebec, Canada J3P 5P5.

(4) Lessee:

Canadian National Railway Company,
935 Lagauchetiere Street West,
Montreal, Quebec H3C 3N4,
Canada.

Please file and record the documents referred to
in this letter and index them under the names of the Vendor-
Assignee-Agent, the Trustee-Owner Trustee, the Builder-Vendor
and the Lessee.

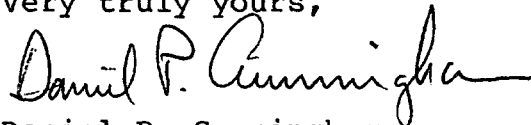
The equipment covered by the aforementioned docu-
ments is listed in Schedule A hereto:

There is also enclosed a check for \$100 payable to
the Interstate Commerce Commission, representing the fee for
recording the Conditional Sale Agreement and related Agree-
ment and Assignment (together constituting one document), and
the Lease of Railroad Equipment and related Assignment of
Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed docu-
ments with your official recording stamp. You will wish to

retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Daniel P. Cunningham". The signature is fluid and cursive, with a long horizontal stroke at the end.

Daniel P. Cunningham
As Agent for
Canadian National Railway
Company

Agatha L. Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

Type

Quantity

Lessee's
Road Numbers

CN 382431	CN 382534
CN 382432	CN 382535
CN 382433	CN 382536
CN 382434	CN 382537
CN 382435	CN 382538
CN 382437	CN 382539
CN 382438	CN 382540
CN 382439	CN 382542
CN 382440	CN 382543
CN 382441	CN 382545
CN 382444	CN 382546
CN 382445	CN 382547
CN 382446	CN 382548
CN 382447	CN 382549
CN 382448	CN 382550
CN 382453	CN 382551
CN 382469	CN 382552
CN 382494	CN 382553
CN 382495	CN 382556
CN 382496	CN 382558
CN 382501	CN 382559
CN 382502	CN 382560
CN 382503	CN 382563
CN 382504	CN 382564
CN 382505	CN 382565
CN 382506	CN 382566
CN 382514	CN 382581
CN 382515	CN 382582
CN 382516	CN 382585
CN 382519	CN 382586
CN 382520	CN 382611
CN 382524	CN 382612
CN 382525	CN 382618
CN 382526	CN 382622
CN 382531	CN 382623
CN 382532	CN 382625
CN 382533	CN 382626

SCHEDULE A

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>	
Marine Industrie--			
One-hundred Ton Rotary Gondola Cars	300	CN 199600 through CN 199899 inclusive	
Marine Industrie--			
One-hundred Ton Steel Covered Hopper Cars	130	CN 382169	CN 382400
		CN 382362	CN 382401
		CN 382363	CN 382402
		CN 382364	CN 382403
		CN 382365	CN 382404
		CN 382366	CN 382405
		CN 382367	CN 382406
		CN 382368	CN 382407
		CN 382373	CN 382408
		CN 382374	CN 382409
		CN 382375	CN 382410
		CN 382376	CN 382411
		CN 382377	CN 382412
		CN 382379	CN 382413
		CN 382380	CN 382414
		CN 382381	CN 382415
		CN 382382	CN 382416
		CN 382383	CN 382417
		CN 382384	CN 382418
		CN 382386	CN 382419
		CN 382387	CN 382420
		CN 382389	CN 382421
		CN 382390	CN 382422
		CN 382391	CN 382423
		CN 382392	CN 382424
		CN 382394	CN 382427
		CN 382395	CN 382429
		CN 382399	CN 382430

13234

RECORDATION NO. Filed 1425

SEP. 4 1981 - 11 10 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1981

Between

CANADIAN NATIONAL RAILWAY COMPANY,

Lessee,

and

EXCHANGE NATIONAL BANK OF CHICAGO, not in its individual
capacity, but solely as Trustee,

Lessor.

TABLE OF CONTENTS*

	<u>Page</u>
SECTION 1. Net Lease	2
SECTION 2. Delivery and Acceptance of Units	3
SECTION 3. Rentals	3
SECTION 4. Term of Lease	4
SECTION 5. Identification Marks	5
SECTION 6. Taxes	6
SECTION 7. Payment for Casualty Occurrences; Maintenance; Insurance	8
SECTION 8. Reports	10
SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	11
SECTION 10. Default	15
SECTION 11. Return of Units upon Default	19
SECTION 12. Assignment; Possession and Use	20
SECTION 13. Return of Units upon Expiration of Term	22
SECTION 14. Renewal Options and Right of First Refusal	23
SECTION 15. Recording	26
SECTION 16. Interest on Overdue Rentals	26
SECTION 17. Notices	26
SECTION 18. Severability; Effect and Modification of Lease	27
SECTION 19. Rights Under this Lease	27
SECTION 20. Law Governing	27
SECTION 21. Execution	28
SECTION 22. Immunities; No Recourse	28

* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of July 1, 1981, between CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation ("Lessee"), and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, not individually but solely in its capacity as Trustee ("Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with AMERICAN HOME ASSURANCE COMPANY and COMMERCE & INDUSTRY INSURANCE COMPANY, each a New York corporation, (the "Beneficiaries").

The Lessor is entering into a conditional sale agreement dated as of the date hereof (the "CSA") with Marine Industrie Limitee (the "Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor, the units of railroad equipment described in Schedule A hereto, such units being herein sometimes called "Equipment".

The Builder is assigning its interest in the CSA to LA SALLE NATIONAL BANK, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns called "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Beneficiaries and the parties named in Schedule A thereto.

The Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease, for security purposes, to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") dated as of the date hereof, and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent") dated the date hereof.

The Lessee, the Lessor and the Beneficiaries will enter into an indemnity agreement (the "Indemnity Agreement"), substantially in the form attached as Exhibit D to the Participation Agreement.

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against the Builder, the Beneficiaries or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in Lessor's title to the Equipment, any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental, or other payment (except as provided in the fourth paragraph of § 6 and the sixth paragraph of § 9 hereof), required to be made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Vendor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and itself hereunder and execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee hereby represents and warrants to the Lessor that no Unit shall be put into service earlier than the date of delivery to and acceptance by the Lessee as agent for the Lessor hereunder.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit one interim rental payment on January 1, 1982, and 30 consecutive semiannual payments payable in arrears on January 1 and July 1 in each year commencing July 1, 1982 (each of such 30 dates being hereinafter called a "Rental Payment Date"). The interim rental payment shall be in an amount equal to .0424658% of the Purchase Price for each Unit subject to the Lease for each day elapsed from and including the Closing Date (as defined in the Participation Agreement) with respect to such Unit to but not including January 1, 1982. The 30 semiannual payments shall each be in an amount equal to 7.5307423% of the Purchase Price of such Unit.

All rental payments payable hereunder shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall then be payable on the next succeeding business day. The term "business day" as used

herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed.

The Lessee agrees to pay to the Lessor as additional rental the sums required to permit the Lessor to make the payments set forth in the third paragraph of Paragraph 2 of the Participation Agreement, the last sentence of the third paragraph of Paragraph 9 of the Participation Agreement and the fourth paragraph of Paragraph 9 of the Participation Agreement.

The Lessor irrevocably instructs the Lessee to make all the payments due the Lessor provided for in this Lease to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first to apply such payments to satisfy the obligations of the Lessor under the CSA or the obligations of the Lessee under the provisions of the Participation Agreement specified in the immediately preceding paragraph and (b) second, so long as no event of default or event which, with the lapse of time and/or demand provided for in the CSA could constitute an event of default under such CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing; provided that any indemnity payable to the Lessor as trustee and in its individual capacity pursuant to § 9 hereof and taxes and indemnities payable or reimbursed to the Lessor under § 6 hereof shall be paid by check of the Lessee directly to the party entitled to receive the same.

The Lessee agrees to make each payment provided for in this § 3 by check in immediately available funds at or prior to 10:00 a.m. Chicago, Illinois, time at the office of the Vendor on the date due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 14 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. Except for obligations of the Lessee hereunder which are specifically stated to terminate at a fixed time, the obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 13 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained in this Lease, so long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Consent) as therein provided, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliated corporation upon its or their lines of railroad or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and without in any way relieving the Lessee from any obligation or liability hereunder. Subject to the foregoing, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words, "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION. OWNED BY LA SALLE NATIONAL BANK AS AGENT OR ITS SUCCESSORS OR ASSIGNS." or other appropriate words designated or approved by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the Vendor under the CSA. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed

with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may permit the Equipment to be lettered with the names, trademarks, initials or other insignias customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any Canadian Federal or provincial taxes or any United States Federal, state or local taxes (other than any United States Federal income taxes payable by the Lessor and other than the aggregate of all Canadian or United States local, provincial, state or city income taxes or franchise taxes measured by net income, up to the amount of any such taxes which would be payable to the state and city in which the Beneficiaries have their principal places of business without apportionment to any other state or city, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, duties or license fees, and any charges, fines or penalties in connection therewith (all such expenses, taxes, withholding taxes, assessments, duties, license fees, charges, fines and penalties being hereinafter called "Taxes"), hereafter levied or imposed upon or in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Taxes the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein; provided, however, that the Lessee shall not be responsible to the Lessor for (a) payment of Taxes arising solely as a result of the sale of any Unit (other than in connection with an Event of Default)

or solely as the result of a sale of any Unit after the termination of this Lease (other than pursuant to an Event of Default) or (b) Canadian withholding taxes on rental payments to the extent that amounts paid in respect thereof are due to a rate not in excess of the current 15% rate. At the option of the Lessor, such payment of Taxes by the Lessee (including the filing of any returns, reports or other documents relating thereto) shall be made directly to the appropriate taxing authority. The Lessee will also pay promptly all Taxes which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Taxes which might in any way affect the title of the Lessor or result in a lien upon such Unit; provided, however, that the Lessee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and with due diligence and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder. The Lessor may require the Lessee to give security to the satisfaction of the Lessor for the due payment or discharge of any such Taxes in case it shall be held to be valid. If any Taxes shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event any reports with respect to Taxes are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units or notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

It is acknowledged that under current law the rentals payable by the Lessee hereunder will be subject to Canadian withholding tax at a rate of 15% to the extent that such rentals are in respect of use of the Units in Canada. Pursuant to the foregoing first paragraph of this § 6, the Lessee will be obligated to indemnify the Lessor

against any additional withholding taxes to the extent that amounts paid in respect thereof are due to a rate higher than the current 15% rate.

The Lessee shall furnish promptly upon request, such information and data as are normally available to the Lessee and which the Lessor or the Vendor reasonably may require to permit compliance with the requirement of any taxing authority.

In the event that the Lessor shall become obligated to make any payment to the Vendor or otherwise pursuant to Article 6 of the CSA (except to the extent that Lessor shall also be obligated to make such payment pursuant to the proviso to the third paragraph of Article 12 thereof) not covered by the first paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

§ 7. Payment for Casualty Occurrences; Maintenance; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, or until such Unit shall have been returned in the manner provided in § 11 or § 13 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the Rental Payment Date next succeeding the delivery of such notice (or, in the event such Rental Payment Date will occur within 15 days after delivery of notice, on the following Rental Payment Date, or, in the event the term of this Lease has already expired or will expire within 15 days after delivery of such notice, on a

date within 15 days of such delivery) (such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such Casualty Payment Date in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The Casualty Value of each Unit as of the Casualty Payment Date for each such Unit shall be the percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after the expiration of the original or extended term of this Lease and before such Unit shall have been returned in the manner provided in § 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 25% of the Purchase Price of such Unit (unless such Casualty Occurrence occurs after the term of this Lease has been extended pursuant to § 14 hereof, in which case the amount of such Casualty Value shall be as agreed upon). Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof (including the issuance of bills of sale for and on behalf of the Lessor), before or after the expiration of this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and is not in default hereunder, the Lessee shall be entitled to the net proceeds of such disposition to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained insurance covering physical damage to the Units and insurance covering public liability, the latter in the amount of at least \$20,000,000 (with up to \$10,000,000 deductible), against the risks and in the amounts customarily insured against by the Lessee in respect of similar equipment owned or leased by it. The Beneficiaries shall be named as additional insureds in any public liability insurance policy maintained by the Lessee in satisfaction of the requirements of this paragraph. At the request of the Lessor, the Lessee shall provide the Lessor with a certificate of an insurer or insurance broker to the effect that such insurance is in effect.

Notwithstanding anything to the contrary in the immediately preceding paragraph, the Lessee may self-insure with respect to physical damage to the Units.

§ 8. Reports. Within 90 days after the end of each calendar year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by § 5 hereof have been preserved or replaced. The Lessee will deliver to the Lessor and the Vendor as soon as available and in any event within 90 days after the end of each fiscal year of the Lessee, a certificate signed by the President, any Vice President, the Treasurer or any Assistant Treasurer of the Lessee stating that no Event of Default shall exist or if an event has occurred and is continuing which, with the giving of notice or the passage of time or both, would constitute an Event of Default, specifying such Event of Default and all such events and the nature and status

thereof. The Lessor shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF (OTHER THAN AS SET FORTH IN THE NEXT SUCCEEDING SENTENCE), NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including, but not limited to, any claims and rights arising under the provisions of the CSA. The Lessor hereby represents and warrants with respect to title to the Units that upon delivery to it of any Unit the Lessor shall have received whatever title was conveyed to it by the Builder and that the Equipment shall be free of liens and encumbrances resulting from claims against the institution acting as Lessor not related to the ownership of the Equipment or the administration of the Trust Estate (as defined in the Trust Agreement) or any other transaction pursuant to its Documents. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improve-

ment or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport of Canada, the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units and in the event that such laws or rules require any alteration, replacement, modification or addition of or to any part of any Unit, the Lessee will fully conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest, with due diligence by appropriate legal proceedings, the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of independent counsel, adversely affect the property or rights of the Lessor or the Vendor under this Lease.

The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices or assemblies at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Department of Transport of Canada, the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units or in accordance with their original purpose and shall not diminish the value,

utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease; provided, however, that no such Addition shall be made if it is not readily removable from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which the Unit would have had immediately prior to such time had such Addition not been made.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and the Vendor as their respective interests may appear in the Unit itself in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Unit pursuant to the terms of the second or third paragraph of this § 9, or (iii) notwithstanding the provisions of the third paragraph of this § 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default under § 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee. The term Part for the purposes of this paragraph and § 13 hereof shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify and save harmless the Lessor against any charge or claim made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, but excluding any items that Tiger Financial Services, Inc., a Delaware corporation ("Tiger"), has agreed to pay which

are listed in Paragraph 12 of the Participation Agreement) which the Lessor may incur in any manner by reason of entering into or of the performance of this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the use, operation, condition, purchase, ordering, construction, acquisition, delivery, rejection, storage or return of any Unit under this Lease including, but not limited to, any latent or other defects whether discoverable or not by the Lessor, the Beneficiary or the Lessee, any claims based on strict liability in tort or any violation or alleged violation of any provision of this Lease. The Lessee further agrees to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury or death to any person; provided, however, that the Lessee shall not be required to indemnify the Lessor under this paragraph for negligence on the part of the Lessor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease and the termination of this Lease. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Lessor pursuant to § 11 or § 13 hereof or after this Lease with respect to such Unit has otherwise terminated. The Lessee shall be obligated under this § 9, irrespective of whether the Lessor shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Lessor may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against the Lessor in connection with any claim, indemnified against hereunder, the Lessee may, and upon the request of the Lessor will, at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by the Lessor in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this § 9, the Lessee will pay the Lessor such amount. The Lessee and the Lessor each

agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, (i) it shall be subrogated to any right of the Lessor in respect of the matters against which indemnity has been given except as to any right of the Lessor to be indemnified by the Owners under any of the Documents (as defined in the Participation Agreement) and (ii) any payments received by the Lessor from any person (except the Lessee) as a result of any matter with respect to which the Lessor has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or the Participation Agreement or a guarantee of the residual value or useful life of the Equipment.

The Lessee agrees at its expense to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (including any forms with respect to payment of withholding taxes but excluding income tax returns) to be filed by the Lessor with any U.S. or Canadian, Federal, provincial, state or other regulatory authority by reason of the interest of the Lessor or the Vendor in the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided in § 3 or § 7 hereof, and such default shall continue for 10 days after such payment is due;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or

in the Participation Agreement, the Consent or the Indemnity Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(d) any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act, R.S.C. 1970, c.R-2 or under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or judgment or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) any representation or warranty made by the Lessee in the Participation Agreement or in any document or certificate furnished by the Lessee to the Lessor, a Beneficiary or the Vendor in connection herewith or therewith or pursuant hereto or thereto shall be incorrect when made in any material respect adverse to such parties or any thereof and such condition, which caused such misrepresentation or breach of warranty, shall continue unremedied for a period of 30 days after the

Lessee becomes aware of such condition;

then, in any such case, the Lessor, at its option, may,

(A) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 10 percent per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease

not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (B) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof), as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (a), (b), (c) or (e) of this § 10, the Lessor may, upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition to the extent provided in Article 15(f) of the CSA, and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 16.50% per annum, shall be payable to the Lessor by the Lessee upon demand.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this § 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, the Canadian Transport Commission and/or the rules of any governmental agency or other organization with jurisdiction, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner cause such Units to be transported to such location as shall reasonably be designated by the Lessor and there assembled,

(b) furnish and arrange for the Lessor to store such Units on any lines of railroad or premises of the Lessee approved by the Lessor until such Units have been sold, leased or otherwise disposed of by the Lessor, and

(c) cause the Units to be moved to such interchange point or points as shall be designated by the Lessor upon any sale, lease or other disposal of all or any of the Units.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All per diem amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .04183746% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessee on such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. The Lessor agrees that it will not assign any of its rights under this Lease without the prior written consent of the Lessee, except as provided in Article VII of the Trust Agreement and the Lessee shall be under no obligation to any assignee of the Lessor other than the Vendor except under written notice of such assignment from the Lessor.

So long as (i) no Event of Default exists hereunder,

(ii) the Lessee is complying with the provisions of the Consent, (iii) the Vendor is entitled to apply the Payments (as defined in the Consent) as therein provided and (iv) the Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, the Lessee shall be entitled to the possession and use of the Units and, without the Lessor's consent, to sublease the Units to, or to permit their use by, a user incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that (1) the Lessee shall not sublease or permit the sublease or use of any Unit outside the United States of America or Canada and (2) that the Lessee shall not sublease any Unit for a period of more than one year without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. No such sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease shall be subject to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default hereunder.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor not related to the ownership or leasing of the Units and except any lien created by the CSA) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor or the Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case,

not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to (a) any railroad company (i) incorporated under the laws of Canada and (ii) with capital and surplus aggregating at least that of the Lessee immediately after such assignment or transfer (which shall have duly assumed the obligations of the Lessee hereunder pursuant to appropriate instruments satisfactory in form and substance to the Lessor, the Vendor and their respective counsel) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition, be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety.

§ 13. Return of Units upon Expiration of Term.
As soon as practicable on or after the expiration of the original or any extended term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of any Units to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to a final destination at any reasonable place on the lines of railroad operated by the Lessee or to any interchange for shipment to a connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; the movement and storage of the Units to be at the expense and risk of the Lessee during such 90-day period. During any such storage period the Lessee will permit the Lessor or any person designated

by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this Article shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, the Canadian Transport Commission and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

§ 14. Renewal Options and Right of First Refusal.

The parties hereto contemplate that at the end of the original term or any extended term, as the case may be, of this Lease, the Lessor will hold the Units then covered by this Lease for re-lease. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee, by written notice delivered to the Lessor not less than six months nor more than 12 months prior to the end of the original term or the first extended term, as the case may be, of this Lease, may elect to extend such term in respect of all but not fewer than all of the Units of one type or of both types set forth in Exhibit A hereto then covered by this Lease, for one or two additional five-year periods (but in any event for not more than a total of two such five-year periods) commencing on the scheduled expiration of the original term or the first extended term, as the case may be, of this Lease. Any such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a Fair Market Rental, payable semiannually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of any such extension, or as shall be determined by appraisal as set forth below.

Fair Market Rental shall be determined for each extended term of this Lease on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental but there shall be excluded any rental value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

Casualty Values for each Unit subject to any such extension of this Lease for the term of any such extension shall be determined on the basis of, and shall be equal in amount to, the value which would obtain for any such Unit immediately prior to a casualty with respect thereto in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informal and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value but there shall be excluded any value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof.

If, after 35 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, as provided in the first paragraph of this § 14, the Lessee and the Lessor are unable to agree upon a determination of Fair Market Rental or Casualty Values, such Fair Market Rental or Casualty Values shall be determined in accordance with the foregoing definitions by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such Fair Market Rental or Casualty Values by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 30 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 30 business days after

such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or Casualty Values, as the case may be, of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provisions for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Casualty Values, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease with respect to such Units, the Lessee shall be given 60 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase such Units and the Lessor elects to sell such Units pursuant to such Offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase such Units for cash at the price at which such Units are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 30 days of receipt of notice of the

proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 30 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 15. Recording. Prior to the delivery and acceptance hereunder of any Unit, (i) the Lease, the CSA, the Lease Assignment and the CSA Assignment shall be filed with the Interstate Commerce Commission and deposited in the office of the Registrar General of Canada, (ii) the CSA and the CSA Assignment shall be registered in the registries specified in Paragraph 7(b)(ii) of the Participation Agreement and (iii) Financing Statement and Financing Change Statements shall be registered as specified in Paragraph 7(b)(v) of the Participation Agreement. The Lessee will (at the expense of Tiger Financial Services, Inc., as provided in Paragraph 12 of the Participation Agreement or at its own expense) undertake or cause to be undertaken the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the CSA Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to interest at a rate equal to 16.50% per annum.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or deposited in the mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 130 South LaSalle Street, Chicago, Illinois 60690, Attention of Michael A. Goodman, Vice President (with a copy to each Beneficiary at the address set forth in the Participation Agreement);

if to the Lessee, at 935 Lagauchetiere Street
West, Montreal, Quebec, Canada H3C 3N4, Attention of
Treasurer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above for such party.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto, except the Participation Agreement and the exhibits thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and consented to in writing by the Vendor.

§ 19. Rights Under this Lease. Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Vendor and its successors and assigns) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited, or in which any Unit of the Equipment shall be located, and any rights arising out of the markings of the Units of Equipment.

The Lessee agrees that any legal action, suit or proceeding arising out of or relating to its Documents (as defined in the Participation Agreement) may be instituted in any state or Federal court in the State of Illinois, United States of America and hereby submits to the jurisdiction of such courts. The Lessee waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such jurisdiction. The submission by the Lessee to such jurisdiction shall not limit or be construed to limit the right of the Lessor to commence proceedings against the Lessee in any other jurisdiction. The Lessee hereby designates and appoints Messrs. Sidley & Austin, as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served at such agent's office at One First National Plaza, Chicago, Illinois 60603, and written notice of said service to the Lessee air mailed or delivered to it at its address specified herein shall be deemed in every respect service of process upon the Lessee in any such action, suit or proceeding and shall be taken and held to be valid personal service upon the Lessee. Said designation and appointment shall be irrevocable until this Lease has been terminated.


§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor, are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon

it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct on the part of such bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiaries on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of the Lessor or the Beneficiaries herein, other than pursuant to clause (ii) of the penultimate sentence of the fifth paragraph of § 9 hereof, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee, the Vendor and by all persons claiming by, through or under either of them.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

Approved
as to Form


Attorney

CANADIAN NATIONAL RAILWAY
COMPANY,

by


Vice-President

by


Assistant Secretary

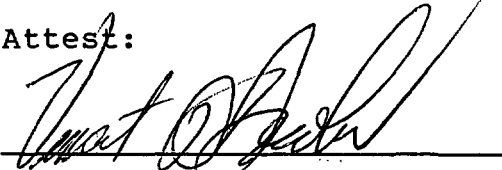
EXCHANGE NATIONAL BANK OF
CHICAGO, not in its individual
capacity, but solely as Trustee,

by


Vice President

[Corporate Seal]

Attest:


Assistant Trust Officer

PROVINCE OF QUEBEC,)
) ss.:
CITY OF MONTREAL,)

On this 31st day of August 1981, before me personally appeared R. Franklin, to me personally known, who, being by me duly sworn, says that he is a Vice-President of CANADIAN NATIONAL RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Frank
Commissioner for Oaths, in and
for the Province of Quebec

My Commission Expires

January 30, 1984

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 25 day of August 1981, before me personally appeared MICHAEL D. GOODMAN to me personally known, who, being by me duly sworn, says that he is a Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Francis M. Stance
Notary Public

[Notarial Seal]

My Commission Expires

My Commission Expires December 14, 1983

Lease of Railroad Equipment

SCHEDULE A

<u>Type</u>	<u>Quantity</u>	<u>Lessee's</u> <u>Road Numbers</u>
Marine Industrie--		
One-hundred Ton Rotary Gondola Cars	300	CN 199600 through CN 199899 inclusive
Marine Industrie--		
One-hundred Ton Steel Covered Hopper Cars	130	CN 382169 CN 382400 CN 382362 CN 382401 CN 382363 CN 382402 CN 382364 CN 382403 CN 382365 CN 382404 CN 382366 CN 382405 CN 382367 CN 382406 CN 382368 CN 382407 CN 382373 CN 382408 CN 382374 CN 382409 CN 382375 CN 382410 CN 382376 CN 382411 CN 382377 CN 382412 CN 382379 CN 382413 CN 382380 CN 382414 CN 382381 CN 382415 CN 382382 CN 382416 CN 382383 CN 382417 CN 382384 CN 382418 CN 382386 CN 382419 CN 382387 CN 382420 CN 382389 CN 382421 CN 382390 CN 382422 CN 382391 CN 382423 CN 382392 CN 382424 CN 382394 CN 382427 CN 382395 CN 382429 CN 382399 CN 382430

Type

Quantity

Lessee's
Road Numbers

CN 382431	CN 382534
CN 382432	CN 382535
CN 382433	CN 382536
CN 382434	CN 382537
CN 382435	CN 382538
CN 382437	CN 382539
CN 382438	CN 382540
CN 382439	CN 382542
CN 382440	CN 382543
CN 382441	CN 382545
CN 382444	CN 382546
CN 382445	CN 382547
CN 382446	CN 382548
CN 382447	CN 382549
CN 382448	CN 382550
CN 382453	CN 382551
CN 382469	CN 382552
CN 382494	CN 382553
CN 382495	CN 382556
CN 382496	CN 382558
CN 382501	CN 382559
CN 382502	CN 382560
CN 382503	CN 382563
CN 382504	CN 382564
CN 382505	CN 382565
CN 382506	CN 382566
CN 382514	CN 382581
CN 382515	CN 382582
CN 382516	CN 382585
CN 382519	CN 382586
CN 382520	CN 382611
CN 382524	CN 382612
CN 382525	CN 382618
CN 382526	CN 382622
CN 382531	CN 382623
CN 382532	CN 382625
CN 382533	CN 382626

Lease of Railroad Equipment

SCHEDULE B

CASUALTY VALUES

<u>Rental Payment Date No.</u>	<u>Percentage</u>
1	107.9062%
2	111.0782
3	112.7638
4	113.7800
5	113.7764
6	114.4408
7	114.1777
8	114.0719
9	113.1406
10	112.2562
11	110.6543
12	108.9853
13	106.7139
14	104.2577
15	101.3227
16	98.1483
17	94.7885
18	91.1300
19	87.4063
20	83.2058
21	79.0606
22	74.2445
23	69.6105
24	64.0923
25	58.8914
26	52.5717
27	46.7273
28	39.6727
29	33.4876
30	25.0000